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Letter dated 26 July 2001 from the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait addressed to the President of the Security Council

I have the honour to transmit herewith the annual report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait. The present report, which was adopted by the Committee on 25 July 2001, is being submitted pursuant to the note by the President of the Security Council of 29 March 1995 (S/1995/234).

(*Signed*) Ole Peter **Kolby**
Chairman
Security Council Committee established by resolution 661 (1990)
concerning the situation between Iraq and Kuwait

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Annual report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

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I. Introduction

1. The present report is submitted to the Security Council pursuant to the note by the President of the Security Council dated 29 March 1995 (S/1995/234), by which the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait is requested to report annually to the Security Council, providing a concise indication of its activities. The Committee has so far submitted four annual reports to the Security Council (S/1996/700, S/1997/672, S/1998/1239 and S/2000/133). This report, the fifth of its kind, presents a factual summary of the Committee's major activities from 21 November 1999 to 30 November 2000, with additional references to other important events and decisions.

2. During the reporting period, the implementation of the arrangements established by resolution 986 (1995) has continued under resolutions 1281 (1999) (phase VII) and 1302 (2000) (phase VIII). The Committee submitted two reports to the Council during this period on the implementation of the arrangements set out in paragraphs 1, 2, 6 and 8 to 10 of resolution 986 (1995) (S/2000/242 of 23 March 2000, S/2000/536 of 5 June 2000).

3. Pursuant to paragraph 6, subparagraph (f), of the Guidelines to facilitate full international implementation of paragraphs 24, 25 and 27 of Security Council resolution 687 (1991), the Committee submitted four reports to the Council during the reporting period on matters related to the arms embargo (S/2000/72, S/2000/365, S/2000/748 and S/2000/1033).

4. The Committee elects it bureau at the beginning of each calendar year. The bureau consists of a Chairman elected in his or her personal capacity and two Vice-Chairmen designated in their national capacity. For 1999, the bureau consisted of Peter van Walsum (Netherlands) as Chairman, with the delegations of Argentina and Gabon as Vice-Chairmen. Following consultations between Council members, Peter van Walsum continued to serve as Chairman for 2000, with the delegations of Argentina and Ukraine as Vice-Chairmen of the Committee.

II. Work of the Committee

5. During the reporting period, the Committee dealt with a wide range of issues. Since November 1999, the Committee held 17 formal meetings, bringing the total number of meetings to 208 since its inception in 1990. In accordance with the decisions taken at the Committee's 132nd and 134th meetings, the Chairman continued to give oral briefings about the work of the Committee after each meeting to interested delegations and the press.

6. The Committee also held frequent informal consultations at the expert level to discuss various issues concerning its work, in particular issues related to the oil-for-food programme.

A. Implementation of Security Council resolution 986 (1995)

7. The operation under resolution 986 (1995) continued throughout the reporting period, extended successively by resolutions 1281 (1999) and 1302 (2000). The Committee continued in its efforts to overcome difficulties in the approval process and to speed up the delivery and distribution of humanitarian supplies to Iraq.

Export of petroleum and petroleum products from Iraq

8. During the period covered by the present report, ending 30 November 2000, the export of petroleum and petroleum products from Iraq proceeded smoothly, with excellent cooperation among the oil overseers, the United Nations independent inspection agents (Saybolt Nederland BV), the State Oil Marketing Organisation of Iraq and national oil purchasers.

9. By the end of the reporting period, there were 630 national oil purchasers, nominated from 75 countries, authorized to communicate directly with the oil overseers according to paragraph 2 of the procedures of the Committee (S/1996/636).

10. In the period covered by the present report, a total of 218 oil contracts were received and reviewed by the oil overseers. Five hundred and fifty-eight liftings were made with a volume of 719.1 million barrels. The revenue generated amounted to US$ 17.9 billion.

11. During the reporting period, the oil overseers continued to advise the Committee on oil prices, volumes, liftings, destinations, management of the revenue objective and other pertinent questions related to the monitoring of petroleum exports from Iraq in accordance with the provisions of resolutions 986 (1995), 1153 (1998), 1210 (1998), 1242 (1999), 1266 (1999), 1281 (1999) and 1302 (2000). In this connection, it is noted that the overseers advised the Committee on 22 November 2000 that the pricing mechanism recently submitted by Iraq for liftings in December 2000 was too low to represent fair market value and the Committee concurred with their assessment.

12. Pursuant to paragraph 14 of the procedures of the Committee, the overseers continued to report to the Committee once a week on the contracts considered by them regarding the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. At the end of the reporting period, 207 such reports have been submitted to the Committee.

13. Pursuant to paragraph 7 of resolution 1302 (2000), the Secretary-General appointed two additional oil overseers by a letter dated 10 August 2000 addressed to the President of the Security Council (S/2000/790), thus bringing the team to a total of three overseers.

Efforts by the Committee to expedite humanitarian deliveries and related matters

14. During the reporting period, the Committee continued to attach priority to the work of processing contracts submitted under the oil-for-food programme.

15. Pursuant to paragraph 17 of Security Council resolution 1284 (1999) of 17 December 1999, the Committee approved amended categorized lists of humanitarian items, including foodstuffs, pharmaceutical and medical supplies, as well as basic or standard medical and agricultural equipment and basic or standard educational items, based on proposals from the Secretary-General. The lists of foodstuffs and educational items were approved on 22 February 2000. The lists of health and agricultural items were approved on 29 March 2000. Pursuant to paragraph 8 of resolution 1302 (2000) of 8 June 2000, the Committee approved amended lists of basic water and sanitation supplies, based on proposals by the Secretary-General, on 7 August 2000. In accordance with the aforementioned resolutions, supplies of those items on the approved lists will not be submitted for the Committee's approval, except for items subject to the provisions of resolution 1051 (1996), and will be notified to the Secretary-General and financed in accordance with the provisions of paragraphs 8 (a) and (b) of resolution 986 (1995).

16. The Committee has focused on the question of holds in the humanitarian sector, as well as oil spare parts and equipment. At the 198th meeting, held on 20 April 2000, the Executive Director of the Office of the Iraq Programme circulated to members graphs and tables on the issue of holds and the Committee agreed to follow a sectoral approach in their informal consultations on holds with a view to expediting the approval process.

17. Members of the Committee continued to express concern over the effect of the holds on the humanitarian situation in Iraq. During the reporting period, members of the Committee heard briefings by the Office of the Iraq Programme and representatives of the United Nations independent inspection agents (Saybolt Nederland BV) on their observation mechanisms and on holds. The Committee was also briefed by representatives of the United Nations Children's Fund, the United Nations Humanitarian Coordinator for Iraq and the United Nations Centre for Human Settlements.

18. At the 200th meeting, on 15 May 2000, the Treasurer of the United Nations, representing the Under-Secretary-General for Management, briefed the Committee on the issue of the over-concentration of funds in the United Nations Iraq account. In accordance with paragraph 23 of resolution 1284 (1999), the Controller's office undertook to send henceforth the daily reports on the status of the Iraq account to all members. At the 202nd meeting, held on 13 July 2000, members took note of a letter from the Treasurer dated 30 June 2000 informing them that Iraq had officially communicated its agreement to the diversification of the investment arrangements for the Iraq account.

Humanitarian supplies to Iraq under the oil-for-food programme

19. During the period covered by this report, the Secretariat received 4,406 applications, of which 271

were subsequently cancelled or declared null and void; 1,269 applications were notified by the Secretariat based on the categorized lists ("green lists") pre-approved by the Committee pursuant to paragraph 17 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000), 2,913 were circulated to the Committee, and 160 were under incomplete or considered non-compliant with the Committee's procedures. Of the 4,406 circulated for action, 2,519 were approved, totalling approximately US$ 5,056,355,559, including 1,464 applications, worth approximately $2,655,512,117, which were released from previous holds, 682 were placed on hold, with a total value of $1,457,485,695, and 90 were awaiting decisions from the Committee, with a total value of $98,193,268. In the same period, the Committee also approved applications worth approximately $396,108,340 for purchases for the United Nations inter-agency humanitarian programmes operating in the northern part of Iraq.

20. The arrival of humanitarian goods is verified and confirmed by the United Nations independent inspection agents, Cotecna, at four entry points: the port of Umm Qasr, Trebil on the Iraqi-Jordanian border, Al-Walid on the Iraqi-Syrian border and Zakho on the Iraqi-Turkish border. During the period covered by the present report, from the end of November 1999 to 30 November 2000, a total of 3,663 approved consignments were confirmed as having arrived in Iraq in full or partial shipments. As in previous phases, the Iraqi authorities have accorded the independent inspection agents full cooperation in their work.

21. The Committee remains fully committed to implementing its mandate with regard to the export of humanitarian supplies to Iraq under the oil-for-food programme and will continue its efforts for the purpose of further improving the approval process and enhancing the timely delivery of humanitarian supplies to Iraq.

Matters related to the supply of oil spare parts and equipment to Iraq

22. By its resolution 1175 (1998), the Security Council decided that up to a total of $300 million in the escrow account produced pursuant to resolution 1153 (1998) might be used to meet any reasonable expenses that follow directly from contracts for parts and equipment necessary for Iraq to increase the export of petroleum and petroleum products. That arrangement was reaffirmed by paragraph 8 of resolution 1242 (1999) and 1281 (1999). Paragraph 1 of resolution 1293 (2000) increased the amount that may be used to meet any reasonable expenses in that regard to $600 million, which was reaffirmed by paragraph 9 of resolution 1302 (2000).

23. In line with paragraph 18 of resolution 1284 (1999), on 17 July 2000 the Committee approved an amended categorized list of oil spare parts (phase VII) eligible for accelerated approval procedures. During the reporting period, the Committee was unable to approve a further amended categorized list of oil spare parts and equipment for phase VIII eligible for accelerated approval procedures that was submitted by the Secretariat on 8 August 2000. Also during the reporting period, no contracts under phase VIII for oil spare parts and equipment were submitted to the Secretariat.

24. The Committee held a number of informal consultations at the expert level to discuss the situation of the oil industry in Iraq. The Committee discussed ways to improve the approval process for contracts for sending oil spare parts and equipment to Iraq in accordance with existing procedures. To facilitate its work, the Committee also invited, on a number of occasions, the United Nations independent agents monitoring Iraq's oil exports under resolution 986 (1995), Saybolt Nederland BV, to brief the members of the Committee on the need for Iraq to import spare parts and equipment necessary to increase its oil output and the impact of holds for such contracts, slow deliveries, and the arrival of incomplete or poor quality goods on the Iraqi oil industry. In this connection, the Executive Director of the Office of the Iraq Programme brought to the attention of the Committee, in his letter dated 27 September 2000, the concern of the Iraqi Government regarding commercial protection clauses in contracts.

25. The Committee has been making continuous efforts to expedite the approval process for contracts for sending oil spare parts and equipment to Iraq in accordance with existing procedures. A team of experts has been set up by the Secretariat as envisaged in paragraph 18 of resolution 1284 (1999) to review and approve contracts for oil spare parts according to lists of parts and equipment approved by the Committee for each individual project.

26. By the end of the reporting period, the Secretariat had received 1,735 applications from 52 States for the export of oil spare parts and equipment to Iraq. Forty-six of these applications were subsequently withdrawn and 1,705 were circulated to the Committee for consideration. Of the total considered by the Committee, 1,507 contracts, with a value of approximately $825,562,981, were subsequently approved, including 528 applications worth approximately $345,694,616 released from previous holds. Seven hundred sixty-four contracts, with a value of $509,448,964, remain on hold and five contracts, with a value of $1,861,694, were awaiting the decision of the Committee. Ninety-three applications, with a value of $178,859,940, were still under evaluation by Secretariat experts, while 11, with a value of $27,280,323, remained to be processed.

27. The Committee intends to continue the practice of keeping under review those contracts for oil parts and equipment that have been placed on hold.

B. Humanitarian exemptions under resolution 661 (1990)

28. During the period covered by the present report, the Committee continued to receive and process other notifications and applications to send humanitarian goods to Iraq submitted under resolutions 661 (1990) and 687 (1991). The total number of notifications and applications received from States and international organizations was 5,257 including 160 notifications. The Committee acknowledged receipt of all 83 foodstuff notifications and took note of 77 voluntary notifications for medical supplies to Iraq, which had an estimated combined value of $159,191,345. Under its "no-objection" procedure, the Committee processed all remaining 5,097 applications concerning the supply of other categories of goods to Iraq. Some 2,052 of these requests, with an estimated value of $6,494,407,577, were approved; 288 requests, with an estimated value of $681,654,599, were placed on hold for further information and/or clarification, and 2,733 applications, with a value of $13,157,809,466, were blocked. Twenty-four applications, with a value of $11,926,797, were withdrawn or annulled.

C. The Hajj

29. The Committee received a letter dated 2 February 2000 from Iraq concerning financial procedures to facilitate the Hajj. Pursuant to paragraph 26 of resolution 1284 (1999), the Secretary-General submitted some proposed arrangements in that regard to the Security Council with a view to facilitating the performance of the Hajj. Those arrangements, as proposed by the Secretary-General, were extensively discussed and agreed by the Council, but no agreement was reached with Iraq.

D. Flights

30. At its 192nd meeting, on 19 January 2000, the Committee considered a request from Jordan to authorize regular flights to Baghdad. Members of the Committee were not able to reach consensus on granting an approval for regular flights to Iraq. The Committee agreed, however, that it would not refrain from considering ad hoc flight requests separately.

31. Following its 204th meeting, on 25 September 2000, the Committee held a number of consultations at the expert level to discuss papers proposed by France and the United States on flight-related issues, including various procedures to be followed by the Committee in this regard. The Chairman decided that he would continue to circulate communications on flights under the "no-objection" procedure pending an agreement on new procedures. The Committee continues to discuss the issue.

E. Financial matters

32. At its 201st meeting, on 1 June 2000, the Committee discussed a letter, dated 28 February 2000, from the League of Arab States requesting the release of frozen funds. The Committee decided to contact the Ambassador of the League of Arab States to gather further information on the request. The Committee awaits further information from the League.

33. At its 202nd meeting, on 13 July 2000, members of the Committee were not able to reach consensus on an Indian request, dated 16 June 2000, to establish a line of credit to Iraq.

34. At its 205th meeting on 2 October 2000, the Committee discussed a letter from Jordan, dated

1 September 2000, requesting the release of funds of a Jordanian company, ACDIMA. The Committee was not in a position to agree to the request since investments in Iraq were prohibited, as were the release of frozen Iraqi funds.

35. At its 200th meeting, on 15 May 2000, the Committee received a briefing from the United Nations Treasurer concerning the proceeds of illegal Iraqi oil exports, which had not been transferred, as advised earlier by the Committee, to the United Nations escrow account under resolution 778 (1992). Following another discussion on the matter at the 201st meeting, members agreed to send a letter to all Gulf States reminding them of their responsibilities in this regard.

36. In October 2000, an Iraqi communication addressed to the Secretariat concerning a change from dollars to euros in pricing its oil exports was brought to the attention of the Committee. After studying the issue and the United Nations Treasurer's report on the implications of paying for Iraqi oil in euros, the Committee, on 31 October 2000, informed the Under-Secretary-General for Management that the Committee had come to the conclusion that the United Nations Treasurer could consider herself to be authorized to open a United Nations Iraq account in euros. The Committee also requested an in-depth report within a period of three months, including the possible costs and benefits for the oil-for-food programme and other financial and administrative implications of the payment for Iraqi oil in euros.

F. Passenger shipping services

37. At its 192nd meeting, on 19 January 2000, the Committee agreed that the Chairman should meet with the Ambassador of Qatar to glean further information on the provisions of a request to introduce a ferry service to transport pilgrims. The issue was taken up again at the 205th meeting, on 2 October 2000. Members agreed that a letter should be sent to Qatar requesting further information on the request.

38. Also at its 192nd meeting, the Committee addressed a request, submitted by the United Arab Emirates, to transport passenger cars to Iraq. The Committee was not in a position to approve such a request.

39. At its 202nd meeting, on 13 July 2000, the Committee discussed a report by the independent inspection agents (Cotecna) who had observed that cargo was being transported to Iraq on a United Arab Emirates passenger ferry. The Committee agreed that a letter should be sent to the United Arab Emirates as well as to Bahrain.

G. Other matters

Requests by Turkey

40. The Committee was not in a position to grant Turkey's request to resume the import of petroleum and petroleum products from Iraq for domestic purposes, which had been on the Committee's agenda for four years, despite the serious economic difficulties Turkey considered it had suffered as a result of the sanctions against Iraq.

Participation of United Nations agencies in Committee meetings

41. At its 201st meeting, on 1 June 2000, members agreed that United Nations agencies in Iraq should provide the Committee with regular briefings on their operations in that country. A circular letter to that effect was addressed to the United Nations agencies concerned. On 17 and 18 October 2000, an inter-agency meeting took place in New York during which representatives of all relevant United Nations agencies operating in Iraq briefed the members of the Committee on their activities.

Aerial pesticide campaign

42. At its 192nd meeting, on 19 January 2000, the Committee considered a communication from the Food and Agriculture Organization of the United Nations (FAO) requesting approval for aerial spraying of pesticides in Iraq for 2000. The Committee agreed in principle to the request, but stressed that the pesticide activities should be carried out in compliance with the procedures established by the Committee for that purpose and that all dual-use items being shipped to Iraq to help implement the pesticide campaign should be submitted for the Committee's consideration on a case-by-case basis.

H. Monitoring arrangements and reported violations

43. At its 194th meeting, on 17 March 2000, the Committee considered a communication from the United States concerning alleged illicit export of petroleum and petroleum-derived products by Iraq through the Persian Gulf. No consensus emerged on how to proceed with the issue.

44. At its 196th meeting, on 23 March 2000, the Committee received a briefing from the Coordinator of the Multinational Interception Force (MIF) on the MIF's activities in the Gulf region, where it was noted that there had been an increase in smuggling activities during the previous year. The Committee decided to keep the issue of oil smuggling under review.

45. At its 199th meeting, on 25 April 2000, the Committee received a briefing from the Executive Director of the Office of the Iraq Programme on monitoring arrangements under the oil-for-food programme. Members of the Committee stressed the need for improvement in those arrangements and called for a qualitative and quantitative increase in monitors. They also expressed the hope that such a strengthening of monitoring arrangements would help reduce the number of holds placed on humanitarian supplies to Iraq.

46. At its 205th meeting, on 2 October 2000, the Committee discussed a letter from the MIF concerning oil smuggling in the Gulf. The Committee decided to send letters to the Gulf States, soliciting their assistance in the prevention of further smuggling activities.

III. Conclusions and observations

47. During the reporting period, the volume of work of the Committee continued to increase, as it deals with a range of issues of a complex and diverse nature. The Committee will continue its efforts to address the humanitarian situation in Iraq and other related issues within the framework of relevant Security Council resolutions.

48. The Committee reaffirms its commitment to continue to work closely with the Secretary-General and the relevant bodies of the Secretariat, including the Office of the Iraq Programme, with a view to further enhancing the efficiency and effectiveness of the oil-for-food programme.

49. The Committee wishes to express its appreciation for the consistent support and cooperation it has received from Member States, international organizations and the United Nations Secretariat in carrying out the tasks entrusted to it by the Security Council.